

TRANSPORTATION

OVERVIEW

Governor Proposes Significant Reductions to Transportation

The Governor proposes to suspend the Proposition 42 transfer to the Transportation Investment Fund (TIF) for the 2004-2005 budget year. The Administration estimates General Fund savings of \$1.12 billion as a result of this proposal. In addition to the proposed suspension of Proposition 42, the Governor is also proposing a series of initiatives that will likely have a crippling effect on transportation finance and economic development.

Repeal the Statutory Authority for Projects in the Traffic Congestion Relief Program (TCRP). The Governor proposes to transfer \$189 million from the Traffic Congestion Relief Fund (TCRF) to the General Fund and to eliminate the authority for all 159 projects in the TCRP. The Administration argues that the TCRP project sponsors can secure funding through either the State Transportation Improvement Program (STIP) or local funding mechanisms.

The TCRP authorized \$4.9 billion for 159 specific projects over a five-year period. A recent cash flow estimate for currently-allocated TCR projects estimates that only \$74 million will be unexpended at the end of the year. This raises the question of how the Administration intends to capture \$189 million if the majority of these funds are expended. The Legislature may also wish to consider what effect this proposal will have on existing contracts. Shifting the \$189 million from the TCRF will likely cause a number of contracts to be canceled. In the likelihood that contracts are terminated, the Administration will need to identify all costs associated with the contract terminations. It is unclear how these costs will be paid and what fund source(s) will be used.

TCRP or STIP Projects Will Not Receive Funding. The Administration suggests that the TCRP project sponsors should seek to fund their projects through the STIP, however this is not a viable option. Essentially the situation would be one of too many projects chasing too few dollars. The draft 2004 STIP Fund Estimate results in taking \$5.5 billion in projects and rescheduling them over the five years of the 2004 STIP. It is also important to note that a significant portion of the Proposition 42 funds are dedicated to the STIP and Public Transportation Account (PTA). Under existing law, the STIP and PTA receive 40 percent and 20 percent, respectively, of the balance of funds in the TIF after the first transfer of funds is made to the TCRF. If the TCRP projects are incorporated into the STIP, the Regional Transportation Planning Agencies (RTPAs) will have to prioritize TCRP projects in relation to their existing STIP projects. Given the status of the State Highway Account, and a possible reduction of federal funds, the STIP cannot absorb the commitments made in the TCRP. A likely scenario will require the RTPAs to reconfigure their Regional Transportation Improvement Programs (RTIP; local portion of the STIP) and determine which projects to continue funding and which projects to defer or eliminate altogether.

The competition for the remaining funding between TCRP and STIP projects would require the delay and/or abandonment of numerous transportation projects, especially in the greater Los Angeles and Bay Area(s), due to the concentration of TCRP projects in those two regions. For example, the Metropolitan Transportation Commission estimates that approximately \$1.2 billion worth of TCRP project funds are at risk if the Legislature approves the statutory elimination of the program. The Department of Transportation and regional transportation agencies would have to reconstitute their respective transportation programs, either formally or informally. Project delays would increase the projects' ultimate costs while project abandonment would impede statewide mobility and increase congestion. The state would fall further behind in its attempts to maintain and expand the transportation infrastructure.

Other Transportation Initiatives Proposed by the Governor

Repeal the High Speed Rail Bond Initiative. The Governor proposes to repeal the High Speed Rail general obligation bond from the ballot in 2004. Senate Bill 1856 (Chapter 697, Statutes of 2002) authorizes a \$9.95 billion bond measure to help fund the planning and construction of the high speed rail passenger system. The Administration is proposing to fund the High Speed Rail Authority in the budget-year.

Federal Grant Anticipation Revenue Vehicles (GARVEE Bonds). The Governor proposes \$800 million from GARVEE bond proceeds to offset the loss of transportation revenues. The issuance of GARVEE bonds allows the state to borrow against future-year federal funds for purposes of spending the funds now. The resources generated from the bonds would be used for projects in the STIP.

Retain Gasoline Sales Tax Revenue in the General Fund (\$17.5 million). A portion of the sales tax on gasoline and diesel sales is allocated to the Public Transportation Account (PTA). When gasoline prices are high relative to other sales, the PTA receives the "spillover" sales tax revenues. The spillover estimate in the current-year budget is \$87.5 million, and the Budget-Act authorizes the General Fund to receive up to that amount in spillover revenue in 2003-04. The Administration now estimates that the total spillover has increased by \$30 million. The adjusted mid-year proposal would provide the General Fund an additional \$17.5 million in spillover revenue that was not anticipated last spring.

Authorize \$200 Million Loan From the State Highway Account. The Governor has proposed a \$200 million current-year loan from the State Highway Account to the General Fund.

2660 Department of Transportation

The Department of Transportation (Caltrans) constructs, operates and maintains a comprehensive state system of 15,200 miles of highways and freeways and provides intercity passenger rail services under contract with Amtrak. The state highway system comprises less than 9 percent of the total roadway mileage in California but handles approximately 54 percent of the miles traveled. The department also has responsibilities for congestion relief, transportation technology, environmental and worker protection, and airport safety, land use and noise standards. Caltrans' budget is divided into six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center.

The Governor proposes total expenditures of \$7.4 billion (\$0 General Fund), a decrease of \$1.1 billion (13.3 percent) from the current-year budget. .

Fund Source (dollars in thousands)	2003-04	2004-05	\$ Change	% Change
General Fund	\$289,000	\$0	-\$289,000	-100.0
Aeronautics Account, State Transp. Fund	5,128	4,383	-745	-14.5
State Highway Account, State Transportation Fund	2,573,409	2,479,707	-93,702	-3.6
Bicycle Transportation Account, State Transportation Fund	7,240	7,229	-11	-0.2
Public Transportation Account, State Transportation Fund	160,207	167,513	7,306	4.6
Local Airport Loan Account	2,850	2,850	0	0.0
Environmental Enhancement and Mitigation Demonstration Program Fund	0	10,000	10,000	0.0
Historic Property Maintenance Fund	1,521	1,507	-14	-0.9
Equipment Service Fund	153,528	152,806	-722	-0.5
Toll Bridge Seismic Retrofit Account, State Transportation Fund	709,983	635,817	-74,166	-10.4
Seismic Retrofit Bond Act of 1966	66,893	33,055	-33,838	-50.6
Public Buildings Construction Fund	72,599	0	-72,599	-100.0
Federal Trust Fund	3,294,432	2,458,094	-836,338	-25.4
Reimbursements	1,006,857	913,462	-93,395	-9.3
Pedestrian Safety Account, State Transportation Fund	0	0	0	0.0
Traffic Congestion Relief Fund	296,219	0	-296,219	-100.0
Transportation Investment Fund (Less funding provided by the General Fund)	-289,000	0	289,000	0.0
Transportation Financing Subaccount, State Highway Account, State Transportation Fund	133,027	492,568	359,541	270.3
Total	\$8,483,893	\$7,358,991	-\$1,124,902	-13.3

2720 California Highway Patrol

The mission of the California Highway Patrol (CHP) is to ensure the safe and efficient flow of traffic on the state's highway system. The CHP also has responsibilities relating to vehicle theft prevention, commercial vehicle inspections, the safe transportation of hazardous materials, and protection and security for state employees and property.

The Governor proposes \$1.3 billion in total expenditures for the CHP, a decrease of \$14.2 million (1 percent) from the current-year budget.

Fund Source (dollars in thousands)	2003-04	2004-05	\$ Change	% Change
State Highway Account, State Transportation Fund	\$46,026	\$46,777	\$751	1.6
Motor Vehicle Account, State Transportation Fund	1,144,292	1,142,185	-2,107	-0.2
Motor Carrier Safety Improvement Fund	1,251	1,275	24	1.9
California Motorcyclist Safety Fund	1,573	1,425	-148	-9.4
Federal Trust Fund	12,873	13,585	712	5.5
Hazardous Substance Account, Special Deposit Fund	208	206	-2	-1.0
Asset Forfeiture Account, Special Deposit Fund	2,087	2,068	-19	-0.9
California Peace Officer Memorial Foundation Fund	400	400	0	0.0
Reimbursements	77,754	64,326	-13,428	-17.3
Total	\$1,286,464	\$1,272,247	-\$14,217	-1.1

2740 Department of Motor Vehicles

The Department of Motor Vehicles (DMV) regulates the issuance and retention of drivers' licenses and provides various revenue collection services. The DMV also issues licenses and regulates occupations and businesses related to the instruction of drivers, as well as the manufacture, transport, sale, and disposal of vehicles.

The Governor proposes total expenditures of \$705.3 million, a decrease of \$14.1 million (2 percent) from the current-year budget.

Summary of Expenditures (dollars in thousands)	2003-04	2004-05	\$ Change	% Change
General Fund	\$10,763	\$0	-\$10,763	-100.0
State Highway Account, State Transportation Fund	40,131	36,565	25,802	239.7
Motor Vehicle Account, State Transportation Fund	375,622	382,341	342,210	852.7
New Motor Vehicle Board Account	1,778	1,780	-373,842	-99.5
Motor Vehicle License Fee Account, Transportation Tax Fund	273,990	269,311	267,533	15046.9
Motor Carriers Permit Fund	0	0	-273,990	-100.0
Harbors and Watercraft Revolving Fund	4,602	2,453	2,453	0.0
Federal Trust Fund	0	0	-4,602	-100.0
Reimbursements	12,524	12,842	12,842	0.0
Total	\$719,410	\$705,292	-\$14,118	-2.0